

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 7

ATTACHMENT 7-I

BOARD EVALUATION PROCESS

PRESENTED BY: Judith Sapper

November 12, 2009



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## **AGENDA ITEM 7**

**TO: MEMBERS OF THE GOVERNANCE COMMITTEE**

**FROM: JUDITH D. SAPPER, ASST. CHIEF COUNSEL**

**I. SUBJECT: BOARD EVALUATION PROCESS**

**II. INFORMATION: REQUEST FOR INFORMATION (“RFI”) UPDATE**

### **III. BACKGROUND ON BOARD EVALUATION PROCESS**

The Governance Committee (“Committee”) charter specifies the Committee will conduct board evaluations to make the Board stronger and more effective in its role. The Committee previously directed staff to explore the retention of a third party to conduct confidential evaluations through questionnaires or interviews and to report on the selection, timing, process, and cost. The target timelines and milestones to complete a January 2010 Request for Proposal (RFP) were presented at the September 10, 2009 Governance Committee meeting. The Committee members concurred that the right board evaluation would provide a foundation for the Board to become stronger and more effective but the process timeline should be extended to allow development of an appropriate underpinning for the initial and ongoing evaluations. The Committee requested further information at the November 2009 meeting about the Board evaluation process, including vendor selection, reporting methodology, cost and timing.

### **IV. REQUEST FOR INFORMATION RESULTS**

The RFP material was issued as a Request for Information (RFI) on October 13, 2009 to eight potential candidates researched and interviewed by staff. The questions, attached as Exhibit 7-A, were categorized under the headings of:

- Questionnaires;
- Interview-Based Evaluations;
- Future Evaluations;
- Final Product;
- Other Formats and Processes for Completing Evaluations;
- Budget, Schedule, and Format;
- Prior Experience; and
- References

The RFI responses were reviewed and scored by staff with the most significant elements being the evaluation methodology (questionnaire and/or interview); customization and completion time; evaluation and reporting format; ongoing evaluations; and price.

Three respondents emerged as top candidates on multiple factors while the remaining three were eliminated from consideration based on cost and overall responses. A recap of the RFI with scores assigned by staff is listed below in Table 7-1:

<b>Candidate Pool</b>		<b>Scoring</b>		<b>Pricing</b>	
RFI Issued	8	Highest Possible Individual	140	Highest Cost	\$153,888
<b>Respondents</b>		Individual High Score	102	Lowest Cost	\$2,200
Proposed Bids	6	Individual Low Score	36		
Declined to Bid	1	Highest Average	96.5		
No Response	1	Lowest Average	43		
<b>Reasons for Elimination</b>					
Provider 4	Price excessive				
Provider 5	Price excessive; incomplete response				
Provider 6	Did not recommend questionnaires; experience mainly with small non-profit foundations; less aware of ramifications of Bagley-Keene				

**Table 7-1**

**V. ANALYSIS AND RECOMMENDATIONS**

All of the respondents provided samples of questionnaires and final reports with generally similar content from each candidate. The top three respondents each recommend a questionnaire for the evaluation of the Board as a whole, with separate questionnaires for each Board Committee and for evaluation of individual Directors. While the respondents offer a peer or 360° evaluation process they did not recommend it at this time given the changing composition and size of the Board; when peer evaluations are conducted the respondents provide individual feedback and/or data analysis for each Board member. None of the respondents had any significant prior experience with state agency evaluations but this lack was not seen as a detraction because the respondents were all willing to consult with Committee or Board members to develop additional questions reflecting the unique aspects of State Fund’s Board.

If the Board is satisfied with using an online questionnaire only without personal interviews, then Provider 1 would be the recommended choice. Provider 1 had the lowest price, with an annual subscription fee of \$2200 that is all-inclusive for any upgrades or additional processes or formats. The evaluation tool can be used as frequently as desired. Each succeeding evaluation report will include a historical comparison to prior evaluation results. The evaluation software is already developed and available through a web-based site that is fully anonymous and secure. The questionnaire templates can be customized for an additional \$500-\$1000 each.

If the Board prefers to conduct evaluations through paper-based questionnaires with personal interviews, then Provider 2 would be the recommended choice. The rankings for Providers 2 and 3 were very similar to each other. Both of these providers use an evaluation methodology of a mailed written questionnaire plus a follow-up telephone or in-person interview with personalized feedback for peer evaluations. They recommend annual evaluations only. Provider 2 would typically present the results to the Governance Committee. Provider 3 would meet with the Governance Committee or Board prior to developing the customized evaluation questions but did not detail an in-person report presentation process. Provider 2 had the advantage of being a California vendor with a lower price and less interview time than Provider 3 but would require more time for development and completion of the evaluation and reporting process.

The analysis of the top three candidates is summarized below in Table 7-2:

### Board Evaluation RFI - Recommendations

Category	Provider 1	Provider 2	Provider 3
<b>Table 7-2</b>			
<i>Evaluation Methodology</i>			
Questionnaires	Yes	Yes	Yes
Interview Based	No	Yes	Yes
<i>Prior State Agency Experience</i>	No	No	Yes
<i>Customized Evaluations</i>	Yes	Yes	Yes
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Fully automated and anonymous secure web-based system already developed, will also customize questions</li> <li>• Best price</li> <li>• California vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire followed by confidential 30 min. interview</li> <li>• Numerical range scoring and comments for each question</li> <li>• Notes and questionnaires discarded following completion of reports</li> <li>• Matrix of responsibilities from Charter provided with agenda, deadline, and completion noted</li> <li>• California vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Questionnaire followed by confidential 15-60 min. interviews</li> <li>• Numerical range scoring and some essay questions</li> <li>• Raw data shredded following completion of reports</li> </ul>

<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• No interviews conducted</li> <li>• No references provided without indication of selection by State Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Paper snail mail process</li> <li>• Longer timeline to complete</li> <li>• Mid-price</li> </ul>	<ul style="list-style-type: none"> <li>• More time and interaction required of BOD</li> <li>• Comments paraphrased</li> <li>• Out of state vendor</li> <li>• Higher price</li> </ul>
<b>Automation</b> System Tool/ Online Access Ongoing Reporting	Yes Online	No Manual	No Manual
<b>Proposed Timelines</b> Begin Evaluations Processing Final Report	2/1/2010 30 days 3/1/2010	2/1/2010 90 days 5/1/2010	2/1/2010 60 days 4/1/2010
<b>Pricing</b> RFI/RFP Recurring Fees	\$2,200-6,200 \$2,200	\$25,000 plus expenses unknown (interviews)	\$38,250 plus travel/expenses unknown (interviews)

**V. DECISIONS FOR GOVERNANCE COMMITTEE**

- Determine need for any additional research or information
- Reference checking--will require permission and/or confidentiality agreement
- Select vendor and prepare to recommend vendor to full Board
- Determine who from Governance Committee will work with staff and vendor to customize questionnaires
- Proceed with evaluations--timing

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Judith D. Sapper,  
 Assistant Chief Counsel

Exhibit 7-A

<b>Board Effectiveness Evaluation RFI - Questions</b>
<b><u>Questionnaires</u></b>
1. Would your firm recommend a questionnaire?
a. If yes, would you develop a questionnaire for the Board's overall performance?
b. Would you develop a different questionnaire for each of the three Board committees?
c. If you recommend an assessment of the individual director's performance, would you develop a questionnaire for this specific task?
2. If you recommend a questionnaire(s), how would you go about developing the questions to be asked on this questionnaire(s)?
3. In developing a questionnaire(s), how much time would be involved in developing a questionnaire for (1) the Board's overall performance; (2) the three Board Committees; and (3) the individual director's performance?
4. Based on the time allocated to each of these tasks, what is the approximate cost for each of the three tasks outlined in # 3.
5. How would these questionnaires be disseminated to the Board members and how and to whom would the questionnaires be returned?
6. Please provide a format and/or sample for the recommended questionnaires.
7. If your firm recommends a questionnaire, how would your firm go about evaluating and quantifying the results of that questionnaire?
8. If your firm does not recommend questionnaires, please state the reasons why.
<b><u>Interview-based Evaluation</u></b>
9. Would you recommend an interview-based evaluation?
a. If the answer to is yes, would you use an interview-based evaluation in conjunction with a questionnaire?
b. How would you conduct an interview-based evaluation?
c. What is the estimated time which you project it would take to conduct an interview with each Board member concerning (1) the Board's overall performance; (2) each Committee's overall performance; (3) the individual director's performance?
d. What is the estimated cost to conduct an interview-based evaluation for each of the three (3) different tasks?
10. If your firm recommends interviewing each Board member, how would your firm go about evaluating and quantifying the results of the interviews with the various Board members?
11. If your firm does not recommend an interview-based evaluation, please state the reasons why.
<b><u>Future Evaluations</u></b>
12. After the initial evaluation is completed, how do you recommend future evaluations be conducted?

13. Do you recommend that future evaluations be conducted more frequently than on an annual basis?

14. If you recommend evaluations more frequently than annually, is there a tool that you recommend for the Board to use in order to conduct a self-evaluation on a more frequent basis?

**Final Product**

15. Please provide a sample outline of how your final report would look when given to the Board.

16. It is anticipated that a Board evaluation will be done on an annual basis going forward. Based on that, if you were retained to do another evaluation in the future, how would you go about comparing the results on future evaluations to the initial evaluation in order to assess improvements?

**Other formats and processes for completing a board evaluation**

17. Please provide any additional formats and/or processes which you would recommend using to accomplish State Fund's goals in the Board evaluation process.

**Budget, Schedule, and Format**

18. Based on your firm's recommendations above, how long do you anticipate the entire project will take from the time your firm enters into a contract for services with State Fund until a final report is available to be presented to the Board?

19. Based on your firm's recommendations above, how much do you anticipate the entire project will cost?

**Prior Experience**

20. Please provide details (dates, duration, and nature) of any prior interaction and/or working experience your firm has in support State Agency entities.

**References**

21. Please provide two (2) references of companies that have used your services in conducting a Board evaluation.